

## GROUP INSURANCE COSTS FOR COUNTY AGENCIES

This fact sheet presents some overview information about the costs of group insurance for active and retired employees of the four tax-supported County agencies: Montgomery County Government, Montgomery County Public Schools (MCPS), the Montgomery County portion of the Maryland-National Capital Park and Planning Commission (M-NCPPC), and Montgomery College.<sup>1</sup>

### Agency Spending for Group Insurance Benefits

In Fiscal Year 2011 (FY11), County agencies spent an estimated \$392 million for group insurance benefits (medical, prescription, dental, vision, non-optional life insurance). Of this total, \$315 million paid for group insurance for active employees; the remaining \$77 million covered agency group insurance cost for retirees. Agency expenditures for employee and retiree group insurance benefits increased by about 140% over the past decade.

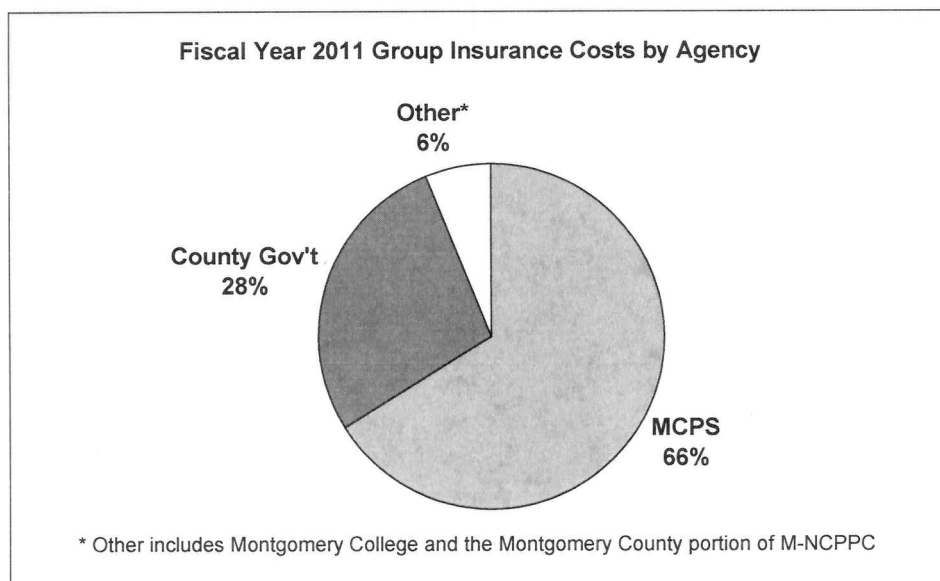
Note that these totals exclude group insurance premium payments made by active employees and retirees. In addition, note that the cost for retiree group insurance includes only “pay as you go” (that is, current year) claims but does not include funding for future year liabilities.

### Group Insurance as a Percentage of Agency Budgets

In FY11, group insurance costs for active employees and retirees comprised 12% of total tax supported agency spending.

### Allocation of Group Insurance Costs by Agency

MCPS and the County Government account for about 94% of all agency group insurance spending. These two agencies employ 92% of the tax supported workforce.



<sup>1</sup> All cost estimates cited in this document represent Fiscal Year 2011 totals for the “tax supported” portion of agency budgets. Tax supported spending is funded by taxes and other revenue sources that are not dedicated for a specific use. Cost estimates do not include non-tax supported spending, that is, spending funded by non-tax sources (e.g. user fees) that are dedicated for a specific use. Estimates of tax supported costs include the vast majority of spending by the County Government, MCPS, the Montgomery County portion of M-NCPPC, and Montgomery College but exclude spending by WSSC.

## **GROUP INSURANCE COSTS FOR COUNTY AGENCIES (continued)**

### **Projected Group Insurance Inflation Rate**

Agency actuaries project that group insurance costs for active employees and retirees will experience an inflation rate of about 9% for the next five years.

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### **Changes to Group Insurance Benefits for Fiscal Year 2012**

County agencies made changes to employee and retiree group insurance benefits for Fiscal Year 2012. For example, MCPS changed the eligibility and cost share for retiree health benefits (see ©13-14.) The County Government also changed the eligibility and cost share for retiree health benefits. In addition, the County Government increased the employee share of group insurance premium costs from 20% to 25% (except for HMO medical coverage which remains at 20%, see ©15-17.)

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### **Comparison of Agency Group Insurances Plans and Costs**

Staff is working to prepare a task order for Aon Consulting, the group insurance actuary for all four tax-supported agencies, to prepare for the Task Force a report that compares active employee and retiree medical and prescription plans offered by County agencies. The report will describe the differences and similarities of agency plan offerings. In addition, the report will identify the factors that explain the differences in cost between County Government and MCPS offerings. Staff has asked Aon to complete the report in September.



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## Employee and Retiree Service Center

### Cost Changes to Future Retiree Health Benefits

MCPS has redesigned the cost-sharing structure of future retiree health benefits to better recognize and reward employee longevity. In order to minimize the impact of these changes on employees who are least able to shift their long-term plans, you will be affected differently based on the year you were hired and the length of time you have been employed by MCPS when you retire. These changes will ensure the ability of MCPS to continue to provide health benefits to our retirees, while at the same time proactively addressing the increases in health benefit costs.

The new cost-sharing rules for retiree health benefits will affect all employees **hired after July 1, 2006, who are less than 55 years old and all new employees hired after July 1, 2011, of any age**. You are receiving this e-mail because you fall into this group.

### Health Benefit Cost-Sharing

For all employees who are subject to the new cost-sharing structure, future retiree health benefits will be granted only after 10 years of eligible service. In addition, the cost of your health benefits will be determined on a service-based scale, rewarding those employees with the most longevity.

Affected employees will pay the following percentage of retiree health benefits cost:

- **10 up to 15 years** eligible service: **You pay 60 percent.** (MCPS will pay 40 percent of the cost.)
- **15 up to 20 years** eligible service: **You pay 50 percent.** (MCPS will pay 50 percent of the cost.)
- **20 or more years** eligible service: **You pay 36 percent.** (MCPS will pay 64 percent of the cost.)

The new cost-sharing structure for retiree health benefits will be effective July 1, 2011, and will apply to all affected employees who retire after that date.

### Retirement Planning Assistance

We understand that the new retiree health benefit cost structure may change your existing retirement strategy. For more information about retirement planning, visit the [Retirement Planning](#) webpage.

In addition, as an MCPS employee, you are eligible for a free consultation with the Certified Financial Advisors from Montgomery County Teacher's Federal Credit Union (MCTFCU) to get a complete analysis of your retirement cash flow. Please call 240-599-7490 to schedule a complimentary appointment. You do not have to be a member of MCTFCU to take advantage of this complimentary consultation.

## Learn More

Additional information is available on the [ERSC website](#). Here you will find the following helpful information—

- Frequently Asked Questions regarding these changes
- A chart to help you understand who is most affected by these changes
- Definitions of common terms such as “eligible service”

In addition, the Employee and Retiree Service Center (ERSC) will be offering two information sessions to assist you in understanding the changes to employee pensions and future retiree health benefits. During these sessions, ERSC staff members will present information about the changes and will be available to answer your questions. Each session will be held from 4:30 to 5:30 p.m. at the Carver Educational Services Center (CESC) auditorium, located at 850 Hungerford Dr, Rockville, MD 20850.

You may choose to attend either of the following dates—

- Tuesday, May 31
- Thursday, June 16

If you require additional assistance in understanding this change, you may contact ERSC Monday through Friday between the hours of 8:00 a.m. and 4:30 p.m. at 301-517-8100 or [ERSC@mcpsmd.org](mailto:ERSC@mcpsmd.org).



## **Frequently Asked Questions (FAQs) Regarding Upcoming Changes to Group Insurance**

➤➤➤ *Effective January 1, 2012 for active employees* <<<

*On May 18, 2011, the Montgomery County Council announced changes to the group insurance program as part of their approved Fiscal Year 2012 (FY12) budget. The information contained in this flyer is designed to help answer questions you may have about the changes. Please read the following carefully.*

### **GROUP INSURANCE PLAN DESIGN CHANGES**

#### **Caremark Prescription Drug High Option and Standard Option Plans**



**Q. What is the new benefit regarding 90-day prescription drug maintenance medications?**

A. Currently, you are required to use only CVS/Caremark's Mail Order facility for purchasing maintenance medications. Beginning January 1, 2012, you will also be able to use CVS/Caremark retail pharmacies to purchase maintenance medications at mail order pricing, which is one copayment for up to a 90-day supply.

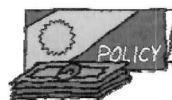
**Q. What are the new rules regarding generic drugs?**

A. Participants are required to use generic medications when available. If you purchase a brand name drug that has a generic equivalent, you pay the generic drug copayment plus the difference between the brand name and generic drug cost. However, if your doctor certifies in a letter to CVS/Caremark attached to your prescription that it is medically necessary to prescribe a brand name drug instead of its generic equivalent, there is no penalty for purchasing that brand name drug. Simply stating that, in his or her medical opinion, brand name drugs are better than generic drugs is not sufficient medical documentation. Note that CVS/Caremark will require yearly updates of medical necessity.

**Q. Will the Plan cover drugs prescribed to treat Erectile Dysfunction?**

A. Yes, but there will be a limit of 6 pills per month. Any amount above this limit will be paid in full by you.

#### **Basic Life Insurance Coverage**



**Q. What are the life insurance plan design changes?**

A. Basic Life Insurance will be set at "1 times annual salary" for all covered full-time and part-time employees. (Currently, employees in the Choice Plan are covered for "2 times salary.") During this year's Fall Open Enrollment, you will be able to elect additional Optional Life Insurance with no medical underwriting requirement.

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## GROUP INSURANCE COST-SHARING CHANGES

### Q. When will the new 2012 group insurance rates be available?

A. During this Fall's Open Enrollment (dates to be announced once available).

### Q. What are the changes to the employer/employee premium cost-sharing arrangement for health insurance?

A. The following changes will be made:

Plan type/name	Beginning January 1, 2012, the employee premium will be:
<i>Health Maintenance Organizations (HMOs)</i>	
• Kaiser Permanente (Kaiser plan includes prescription coverage)	20% of the total premium
• United Healthcare HMO	20% of the total premium
<i>Point of Service (POS) Plans</i>	
• CareFirst BCBS High Option POS	25% of the total premium
• CareFirst BCBS Standard Option POS	25% of the total premium
<i>Prescription Drug Coverage</i>	
• Caremark Prescription Drug Standard Option	25% of the total premium
<p><i>Note:</i> In 2009, the employer cost share for the High Option Plan was limited to the amount contributed to the Standard Option Plan. Employees enrolled in the High Option Plan pay the difference between the amount the County contributes toward the Standard Option Plan and the total cost of the High Option Plan. This means that, for the High Option Plan, the employer premium will be 75% of the Standard Option Plan cost; employees will pay the remainder of the High Option Plan premium.</p>	
<i>Dental</i>	
• Traditional PPO	25% of the total premium
• DHMO	25% of the total premium
<i>Vision</i>	
• Vision Plan	25% of the total premium
<i>Life Insurance</i>	
• Basic Life	25% of the total premium
• Accidental Death and Dismemberment (AD&D)	
• BTA	
• Pre-Fund	
• Dependent Life Insurance	25% of the total premium
• Optional Life Insurance	25% of the total premium
<i>Disability Insurance</i>	
• Long Term Disability (LTD)	25% of the total premium

## GENERAL INFORMATION

**Q. When do the group insurance changes announced by County Council take effect?**

A. January 1, 2012.

**Q. Who do the group insurance changes affect?**

A. The changes outlined in this flyer apply to active County employees who are eligible for group insurance. This includes employees of participating agencies. (Depending on your employer, the cost-sharing changes outlined in this flyer may not apply to you.)

**Q. When will I be able to make changes to my group insurance coverage?**

A. During Open Enrollment, you will be able to enroll in, change or cancel selections for yourself and your dependents for group insurance, which includes:

- medical coverage
- prescription drug coverage
- dental coverage
- vision coverage
- optional life insurance
- dependent life insurance

In addition, you will be able to enroll or re-enroll in a flexible spending account (FSA):

- Health Care FSA
- Dependent Care FSA

*Note:* If you have a qualified status change during the year (such as if you marry, divorce or have a child), you may be eligible to make certain changes to some of your benefits outside of the Open Enrollment Period. You must notify the Office of Human Resources and make your changes within 60 days of the date of your qualified status change.

**Q. When is Open Enrollment for 2012?**

A. Open Enrollment is typically held in the Fall. Once this year's Open Enrollment dates are set, they will be announced.

**Q. If I make changes during Open Enrollment, when will they take effect?**

A. January 1, 2012.



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